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THE SOVIET WORLD

The Soviet note of 26 December, by assuming Western agreement "to discuss the question of convening a five-power conference," suggests a Soviet intent, at any four-power meeting, to use China as a means of continuing to sidestep discussion of the German question. Soviet propaganda has already attempted to influence French opinion by arguing that Indochina is a subject which could be discussed only with China's participation.

Similarly, in the Soviet note replying to President Eisenhower's atomic pool proposal, the USSR raised the Chinese issue by asserting that "only the concerted efforts of all the great powers" can secure a reduction in international tension. Moscow noted that the UN charter accords the five powers special responsibility for the preservation of the peace, and added that "special insistence must be made on the rapprochement of the attitudes of the five great powers on the question of ending the atomic armaments race." In addition to bringing the China question into the atomic control dispute, this would suggest that the Soviet Union will soon renew its demand for Peiping's membership in the Security Council.

Moscow's prompt response to Indonesia's request of 15 December to open an embassy in Moscow suggests that the USSR welcomes the opportunity to establish close diplomatic relations with the present Communist-influenced Indonesian government. Molotov has stated that the USSR is prepared to accredit an ambassador to Indonesia. The USSR's recognition of Indonesia in January 1950 was followed by inconclusive negotiations to establish formal diplomatic relations. Thereafter, the Masjumi and Socialist parties successfully opposed proposals to send an ambassador to Moscow until last spring when the National Party-Communist bloc forced a resolution through parliament asking the government to open an embassy before the end of 1953.

In the Satellites, there have been recent attempts to propitiate former "bourgeois" elements apparently in order to reduce tension and improve managerial and technical efficiency in the economy and the government. This trend is most evident in Hungary, where for the first time in recent years the Communist regime permitted traditional Christmas festivities and sanctioned displays of luxury in Budapest.

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High-ranking Hungarian, Czech and Polish leaders recently called for better use of technically skilled persons in agriculture and industry regardless of political conviction. In Hungary the report of a committee which included non-Communist agricultural experts formed the basis of a new Three-Year Plan for agriculture. A Czech trade union paper declared on 20 December that over half of all state employees are unfit and warned that "political enlightenment is not enough" to compensate for the lack of necessary professional qualifications.

At an extraordinary plenary session of the party central committee on 17 December, devoted entirely to a discussion of agricultural problems, the Czech Communist Party announced the country's first major crop quota reductions. The National Assembly also met in special session on 22 December, probably to approve the party's agricultural measures and to hear plans for additional decrees implementing the modified economic policy.

The quota reductions, which are more extensive than those decreed in recent months by Poland, Hungary, and Albania, may reflect serious underfulfillment of the fall crop collection quotas and a hope to attract to the markets any hidden foodstuffs, which may now be sold at the higher prices prevailing for surplus produce.

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## THE PRESIDENTIAL ELECTION AND FRENCH FOREIGN POLICY

The prolonged and unprecedented bickering over the election of a French president has undermined one of the Fourth Republic's few remaining symbols of political unity and raised grave problems as to France's role in Western defense. The election of the mildly pro-EDC René Coty was the result of parliamentary weariness and of popular disgust over parliamentary impotence, and promises no crystallization of the attitude of the National Assembly, which remains almost hopelessly divided over the EDC.

While the long contest over the presidency was not conducted exactly according to parliamentary alignments on the EDC issue, it did reveal the lengths to which opponents of the treaty are now willing to go. Prospects for a clear-cut integration policy had markedly worsened when Foreign Minister Bidault failed to achieve a showdown in the November foreign policy debate. They were further dimmed when Premier Laniel bought Gaullist support for his candidacy to the presidency by committing himself to challenge EDC's constitutionality. Although Coty is not known to have given any such formal commitment, and has in the postwar period actively promoted a federated Europe, he clearly won with substantial Gaullist support.

The fear of Germany's resurgence has also come increasingly to the fore in recent weeks. Conversations on the Saar problem between Bidault and Chancellor Adenauer in late November achieved little on the more difficult aspects of this critical issue. Another possible French condition for EDC ratification is now arising from the old fear that West Germany might drag the Defense Community into a war over the Oder-Neisse line. The trip of nine French deputies to Poland in early December highlighted this fear, which underlies the new French insistence that any Western European security offer to the USSR contain a West German promise to renounce the use of force for changing Germany's eastern frontier.

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proposal to postpone four-power talks to 25 January further aggravates Paris' difficulties. The new date is not sufficiently distant to permit a compromise French integration

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policy to be worked out, and yet is early enough to continue the present state of indecision, because the impending conference holds out to many Frenchmen the hope of avoiding a final decision on EDC.

The basic weakness inhibiting French action is that the assembly seems capable of mustering a majority only in opposition to a specific policy. France still has a basic desire to adhere to its Western commitments, and its press exhibits considerable skepticism over Soviet protestations of a desire to help France. Despite the initially unfavorable reaction to Secretary Dulles' statement on the compelling need for EDC ratification, the responsible press did not question France's need to participate in a Western defense alliance. No alternative to the EDC, however, yet commands substantial assembly support.

There are indications that Coty will avoid a cabinet crisis immediately after his inauguration on 16 January by extending Laniel's caretaker status at least until the outcome of the four-power talks is apparent. Should the Laniel government be unable to continue in office after the conference, the determining issue in the selection of its successor will probably be European integration. There is an outside possibility that a minority coalition, dependent on Socialist support, could be formed to ratify the EDC treaty. Forming such a coalition, however, has been made harder by the bickering over the presidential election, and the anticipated difficulty in forming a government will intensify pressure for new National Assembly elections.

Most deputies agree that a new vote under the present system would not significantly change the composition of the assembly. Attempts to revise the electoral system, however, would certainly produce serious parliamentary opposition and possibly a complete stalemate. This would probably revive speculation about a dictatorship, a question which received its first serious press discussion during the presidential election.

France's hope that its difficulties can somehow be resolved by four-power talks weakens the prospective Western position at Berlin. While France can still be expected to go along with most American policies, its support at Berlin on various specific issues will probably be less firm, and on some questions, notably that of engaging in subsequent five-power talks, France is likely to exhibit an increased vulnerability to Communist overtures.

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## SINO-INDIAN TALKS ON TIBET

India will be on the defensive during the imminent Sino-Indian talks on Tibet, despite the fact that the talks are being held at India's request. It will have no alternative but to comply should Peiping demand the eventual withdrawal of Indian trade agents and military garrisons from Tibet (see map, p. 9). However, these problems are unlikely to alter India's public attitude toward Communist China.

Ever since the conclusion of the Sino-Tibetan agreement of May 1951 incorporating Tibet into Communist China, it has been presumed that Peiping wished to make Tibet a "closed area" similar to Manchuria and Sinkiang. After the Chinese occupied the country, the position of the Indian trade agents at Gyantse, Yatung, and Gartok became precarious. In September 1953 the agent at Gartok reportedly was arrested as an Indian spy. An American official in Sikkim has been informed that as of early October the small Indian army garrison in Gyantse, one of two maintained to protect the Lhasa trade route, had been denied transport facilities by the Chinese.

Peiping thus seems likely to inform New Delhi in the coming talks that the presence of Indian trade agents and troops in Tibet is neither necessary nor desirable. The Indian consulate general in Lhasa will probably be permitted to operate, however, as the Indians have only one other such office in China and Peiping has two in India.

Although Prime Minister Nehru has said that the talks will deal only with trade and travel problems in Tibet, these "minor irritations" are closely linked to India's problem of securing its northeastern frontier against Communist infiltration and of maintaining its protectorate over the Himalayan buffer states of Nepal, Sikkim, and Bhutan.

[REDACTED]

[REDACTED] The Chinese Communists' control over the trans-Himalayan trade through Sikkim has enabled them to establish priorities for their own goods and partially to subvert some influential traders on the Indian side of the border by distributing the Tibetan wool trade among them.

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New Delhi's inability in the past to counter these and similar moves in the border states has led to a decline of Indian prestige there, while heavy-handed tactics employed by Indian officials in Nepal, Sikkim, and Bhutan have alienated local opinion. Communists in Nepal scored an important success in the Katmandu municipal elections last September in spite of an official ban on their activities. The ruler of Sikkim is increasingly dissatisfied with the Indian administration of his state [REDACTED]

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[REDACTED] An Indian retreat in Sino-Indian talks could be expected further to open the area to Communist influence.

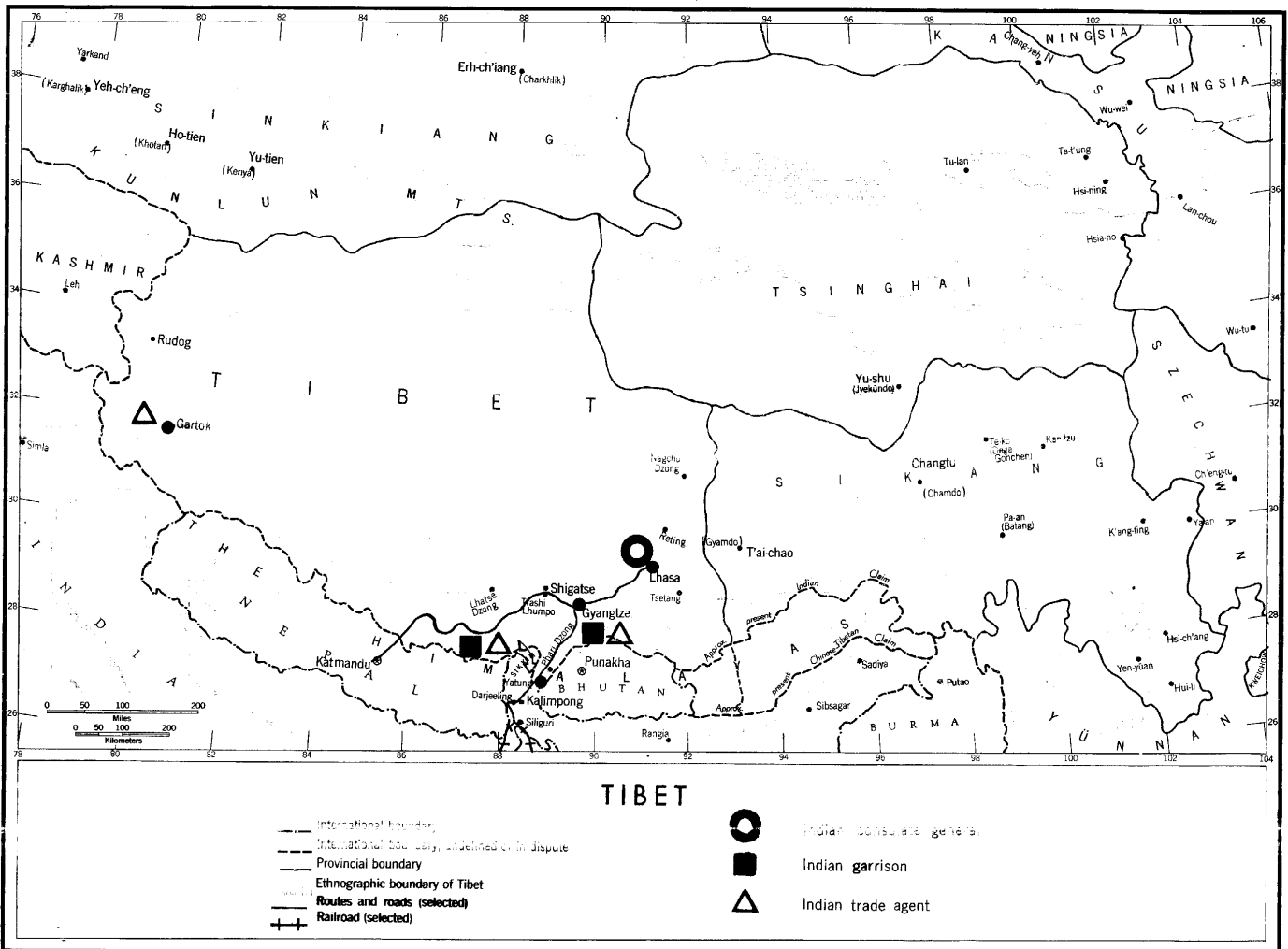
Peiping may be encouraged by India's weaknesses in this area to take an aggressive stand against Indian interference with Chinese Communist activities in the border states. The Chinese may also complain strongly about alleged operations of foreign agents coming into Tibet from Indian-controlled territory and may make difficulties regarding undemarcated Indo-Tibetan boundaries.

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[REDACTED]  
[REDACTED] since India is publicly committed to neutralism and possibly fears antagonizing Peiping, the Chinese Communists' stand on Tibetan problems is unlikely to change India's conciliatory attitude.

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## POSSIBILITY OF MILITARY ACTION INCREASES IN INDONESIA

The threat of civil war in Indonesia has mounted during the past month following the opposition of four anti-Communist army territorial commanders to government measures and the determination of the government to carry them out.

Four of Indonesia's seven territorial commanders -- in North Sumatra, West and Central Java, and Borneo -- have become progressively more alarmed at the policies of pro-Communist defense minister Iwa Kusumasumantri. Their alarm is now shared by leaders of the Masjumi and Socialist parties, the chief elements of the government's parliamentary opposition.

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The parliamentary opposition was unsuccessful in its efforts to stall implementation of an executive regulation dated 3 November reorganizing the defense ministry. Following enforcement of the regulation, which concentrates defense responsibility in the hands of the defense minister, Kusumasumantri in early December appointed a deputy army chief of staff and several staff officers who are presumed to be sympathetic to his views.

Commenting on these appointments, Colonel Kawilarang, commander of the West Java territory, declared on 10 December that the personnel changes "give the impression that political forces were attempting to disrupt military discipline to further a political program." On 17 December, Colonel Simbolon, commander of the North Sumatra territory, gave notice that unless the defense minister rescinds the staff appointments, he, Colonel Kawilarang, and the territorial commanders of Borneo and Central Java will cease to recognize his authority.

The following day the government issued a public statement declaring that the appointments were legal, that it would not tolerate army interference in purely government matters, and hinted that it was prepared to take action should army elements persist in their opposition.

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The opposition has seen moderate and anti-Communist influence in the armed forces decrease since the Ali cabinet assumed office last August. Military elements, in particular, fear further replacements of anti-Communist officers and a corresponding increase of defense personnel amenable to direct or indirect Communist pressure. Their desperation is increased by the knowledge that as party alliances now stand, the overthrow of the government by parliamentary action is impossible.

The strong stand of the opposition commanders on the army staff appointments has failed, however, to intimidate the government. Both the military and political opposition seem reluctant to resort to force. Military movements to date appear primarily defensive rather than in preparation for offensive action. Therefore, in spite of the strong statements by both sides, the present situation may be permitted to drift.

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## ICELAND SEEKS REVISION OF DEFENSE AGREEMENT WITH THE UNITED STATES

The Icelandic government's note of 4 December requesting broad changes in the implementation of the 5 May 1951 defense agreement with the United States reflects a resurgence of antiforeign sentiment and a partial victory for the Soviet "peace" offensive. Iceland has since suggested that bilateral talks begin in Reykjavik. While there is as yet no indication that Iceland intends to force the United States to abandon its air base at Keflavik, the government's position virtually precludes any progress in the foreseeable future for the United States' efforts begun during the latter half of 1952 to obtain additional facilities.

The 4 December note includes demands that Icelandic firms employing local labor take over all construction at the Keflavik base; that construction be stretched out to avoid periodic unemployment; that Icelanders man new radar stations and other security installations; and that movements of the 3,900 American troops and estimated 1,000 civilians be further restricted to lessen contact with the local population.

Iceland, the only member of NATO with no forces of its own, has never been an enthusiastic supporter of the defense agreement despite its effectiveness in remedying the island's previous vulnerability to a Communist coup. Nationalists have warned against the impact of Americans and their ideas on Iceland's Nordic community, and relations between the American construction firm which has contracts at the Keflavik airfield and its Icelandic employees have steadily deteriorated.

The current Icelandic demands reflect an increase in anti-American sentiment as well as opposition to the defense agreement following the reshuffling of the Conservative-Progressive cabinet in September. As a result of the June 1953 parliamentary election, the able Conservative foreign minister Benediktsson, who had originally negotiated the defense agreement, was replaced by a Progressive Party non-entity as a price for continued Progressive membership in the coalition government.

Communist losses in the election were more than offset by the gains of the newly formed National Defense Party, which is small but fanatically opposed to the defense agreement. When parliament reconvened in October, this party

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called for termination of the agreement, and the Social Democrats asked for sweeping revisions.

Progressive and Conservative elements have also been swept along on the wave of sentiment opposing the defense agreement. In late October the Young Progressive Society of Reykjavik demanded that the agreement be thoroughly revised or else terminated, and the central committee of the Progressive Party adopted a resolution the substance of which closely resembles the government's note of 4 December. The annual convention of the Young Conservative Federation also approved a strongly "isolationist" resolution.

Although spokesmen for the Progressive, Conservative, and Social Democratic parties agreed in November that the world situation did not justify any change in the country's policy of defense cooperation with Western nations, the Soviet "peace" offensive has gained ground. The Communist Party is still supported by 16 percent of the voters, with adherents in academic and intellectual circles who persistently arouse isolationist sentiments.

In August Iceland and the USSR resumed commercial relations after a four-year lapse. In a two-year trade pact the Soviet Union contracted to buy large quantities of frozen and salted fish, which are Iceland's major export, and to meet annual requirements of such products as petroleum and cement, commodities usually purchased for dollars or pounds sterling. The agreement, larger in scope than any arrangement between Iceland and a Western nation since World War II, calls for imports during the year ending 31 July 1954 equivalent to some 10 percent of Iceland's total imports in 1952 and for exports during the same period equal to about 25 percent of Iceland's exports in 1952.

Since this pact has been concluded at a time when Iceland's traditional market for fish in the United Kingdom is closed because of a dispute about British fishing in Iceland's territorial waters, and when an increase in American tariffs on Icelandic fish is threatening, the Soviet Union and local Communists have been able to reap an added propaganda harvest. The trade pact has also served to make less attractive to the Icelanders the prospect of additional dollar earnings from any expansion of American facilities.

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## ITALIAN GOVERNMENT MOVES TO EXPAND EAST-WEST TRADE

The Italian government in recent months has clearly indicated that it plans to increase trade with the Orbit. This development is seen particularly in the terms of the new Italian-Soviet trade agreement, Rome's efforts to obtain exceptions to COCOM restrictions on strategic exports, and the easing of Italy's transit controls.

The new agreement with the Soviet Union calls for \$100,000,000 worth of trade during the year ending 1 October 1954, or more than twice that provided for in 1952. There was no formal agreement covering the trade during the first nine months of 1953, and the volume declined considerably during this period.

Under the new agreement, a considerable increase is scheduled in Italian exports of controlled items, notably refrigerator and cargo ships, cranes, power plant units, excavators, and tugboats, and Italy is given the opportunity to dispose of citrus fruit and textiles, sales of which have been declining in the West. In turn, it is scheduled to import manganese and chrome ore, crude oil, and asbestos. The United States has found no support in COCOM for the argument that Italy is not receiving an adequate quid pro quo and that it will probably receive an even less favorable exchange in years to come.

The rising Italian sentiment against export restrictions was illustrated in the unprecedented parliamentary pressure brought to bear during the recent Italian-American negotiations over a COCOM exception allowing Italy to ship \$400,000 worth of embargoed ball bearings to Czechoslovakia. Italian industrialists, spearheaded by FIAT, are now clamoring for an easing, if not outright abolition, of the entire strategic control program.

Since the formation of the Pella government last August Italian officials have been less sympathetic than under De Gasperi toward the Western trade control program. Shortly after taking office Pella stated before parliament that Italy had "no a priori prejudices either political or economic between East and West."

Regulations covering transit trade were relaxed on 1 October

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Rome also stated recently that it planned to release a 230-ton copper shipment which was seized by British authorities in Austria some months ago and returned to the Italian government.

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## CURRENT SOVIET POLICY IN TRADE WITH THE WEST

The value of the Soviet Union's trade with non-Orbit countries during the first half of 1953 amounted to only about \$290,000,000, some 40 percent below the figure for the first half of 1952. In the last half of 1953, however, exchanges including expanded Soviet exports of gold and other precious metals, have increased sharply, and agreements negotiated during 1953 with non-Communist countries call for further trade expansion in 1954.

Several major factors were responsible for the low level of trade in the first half of 1953. In the face of generally falling market prices, Soviet trade monopolies apparently failed to cut export prices far enough to be acceptable to Western businessmen. The new economic policy adopted after Stalin's death changed the Soviet export pattern, and consequently the USSR has faced the need to find new Western markets for greater quantities of precious metals, petroleum products, manganese and chrome ore, and automobiles. Moreover, there were the usual time lags between the signing of the 1953 trade agreements and the actual movement of goods.

Most of the decline of Soviet-Western trade in the first half of 1953 represents a fall-off in the trade with Great Britain which accounted for almost 30 percent of Soviet commerce with the West in 1951 and 1952. Soviet shipments of grain and timber to Britain were sharply reduced, and imports of Malayan rubber, Britain's most important export to the USSR in 1952, fell drastically.

During the last half of 1953, however, Soviet exports to Britain rose sharply due to some recovery in timber shipments as well as large deliveries of silver, platinum and gold. Unusual Soviet sales of gold to the Bank of England, in November and December, and increased deliveries to private purchasers in other Western European countries at prices approximating the official American price and considerably below those obtained by the USSR in 1952, suggest an increasing need for exchange to finance current imports from the West.

The USSR requires large amounts of Western exchange to circumvent Western export controls on strategic goods and to obtain foodstuffs and manufactured consumer goods, which constitute an increasing proportion of total Soviet imports from

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the West. In addition to the larger quantities of such goods included in 1953 trade agreements, the USSR has made unusual spot purchases from countries in Western Europe, Latin America, Africa, Australia and New Zealand and is reportedly soliciting bids from American exporters. There is speculation in Western European trading circles, moreover, that the present emphasis inside the USSR on increased availability of consumer goods may lead to a great expansion in the demand both for the goods themselves and for machinery to manufacture them.

Formal trade agreements negotiated by the USSR in 1953 with non-Communist countries reveal an intention to expand moderately total trade with non-Orbit nations, especially with nations which are primary producers of raw materials and relatively under-developed industrially.

Under these agreements, which call for increases of roughly \$450,000,000 or 45 percent over the trade with the same countries in 1952, the major part of actual deliveries would take place in 1954. The largest scheduled increases are \$150,000,000 with Argentina, a country which carried on virtually no trade with the USSR in 1952, and \$125,000,000 with Iran. On 2 December the USSR signed its first formal trade agreement with India since the war, a five-year pact, which provides for some increase over the previous low levels of exchange, with the Soviet Union offering to supply capital goods, machinery and technical assistance.

These three major agreements have stimulated interest in other countries of Latin America, Asia and the Near East in expanding their trade with the Soviet Union, and a number have entered into the first stages of direct negotiations. By expanding its commercial ties in these areas, the USSR is also attempting to extend its political influence.

Trade negotiations now under way between the USSR and several Western European countries also point to some expansion of trade. Preliminary discussions with Norway propose a 50-percent increase in 1954 exchanges over those specified in the 1953 agreement. A supplemental Soviet-French trade agreement, providing for Soviet shipments of coal in exchange for meat, is also under consideration. Negotiations with Switzerland to trade short-staple Soviet cotton for Swiss viscose were concluded in early December.

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Although the Soviet Union is unlikely to fulfill completely its trade agreements with non-Orbit countries, the magnitude of the exchanges called for suggests that there will be some increase in 1954 trade compared with the two preceding years, and that, in addition, there will be a reasonably high level of trade with those countries which do not have formal agreements with the USSR.

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